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Approved by:

Kent D. Sisson

U.S. Embassy, Jakarta

Prepared by:

Chris Rittgers/Ninieck S. Alam

Report Highlights:

Faced with rising costs of production and low prices, production is expected to continue falling, reaching 5,780 thousand 60 Kg bags (tbags) in marketing year 2002/03. If strictly implemented, a new International Coffee Organization resolution governing quality standards could hamper exports. In line with expectations for lower domestic supplies, total bean exports are expected to decline to 4,500 tbags in 2002/03. Imports remain relatively insignificant relative to overall supply, limited to a small quantity for blending then re-exported.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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SECTION I - SITUATION AND OUTLOOK	2
Production	2
Consumption and Prices	2
Stocks	3
Trade	3
Trade Policy	3
New Standard Quality Announced by the International Coffee Organization	3
SECTION II - STATISTICAL INFORMATION AND TABLES	5
Table 1. Production, Supply and Demand: Coffee, Green	5
Table 2-a: Coffee (Green) Export	6
Calendar Year (January-December) 2000 and 2001	6
Table 2-b: Coffee (Green) Export	7
Marketing Year (April-December) 2000/01 and 2001/02	7
Table 3-a: Coffee (Roasted) Export	8
Calendar Year (January-December) 2000 and 2001	8
Table 3-b: Coffee (Roasted) Export	9
Marketing Year (April-December) 2000/01 and 2001/02	9
Table 4-a: Coffee (Green) Import	10
Calendar Year (January-December) 2000 and 2001	10
Table 4-b: Coffee (Green) Import	11
Marketing Year (April-December) 2000/01 and 2001/02	11
Table 5-a: Coffee (Roasted) Import	12
Calendar Year (January-December) 2000 and 2001	12
Table 5-b: Coffee (Roasted) Import	13
Marketing Year (April-December) 2000/01 and 2001/02	13
Table 6: Indonesian Coffee Exports	14
Table 7: Indonesia's Export and Import of Coffee	15
Exchange Rate	16

SECTION I - SITUATION AND OUTLOOK

Production

Low world market prices have driven farmers to shift from coffee to other more profitable horticultural crops. As a result, area planted and harvested are declining, and the total tree population is also falling. In addition, rising input prices and labor costs have further squeezed producers' returns, and in some cases resulted in farmers neglecting their plantations and cutting back on necessary managerial and productive inputs. This has lowered yields and crop quality. Therefore production is estimated to have declined to 5,980 thousand 60 kg bags (tbags) in marketing year (April/March) 2001/02, and forecast to fall to 5,780 tbags in 2002/03.

Smallholder farmers, who manage around 90 percent of the coffee areas in Indonesia and own only 1 to 2 hectares of plantations each, are very responsive to price changes and tend to adjust managerial and productive inputs accordingly. During periods of low prices, and with limited cash flow, many farmers abandon maintenance of their trees altogether. With the declining returns over the past three growing seasons, yields have declined. Yields remain low particularly for robusta, which dropped from 437 kg/Ha in 2000/01 to 408 kg/Ha in 2001/02, and is forecast to fall to and 394 kg/Ha in 2002/03.

Although prices are much more favorable, high altitude areas suitable for planting Arabica are limited, and the high cost of maintenance further hinders the development of Arabica production. While Arabica production is growing marginally, it still only accounts for 7 to 8 percent of total production. Nonetheless, GOI is promoting the development of Arabica coffee and encouraging farmers to grow this variety.

To enhance both yields and quality, the Coffee Exporters Association plans to partner with local agricultural offices in providing farmers with disease resistant and high yielding coffee varieties. Meanwhile, GOI has also endeavored to improve quality through coffee community development projects. However, price levels will ultimately provide the incentive and be the determining factor for improving quality.

Consumption and Prices

While rising marginally, domestic coffee consumption remains relatively low, accounting for less than 25 percent of total use. Coffee is still somewhat of an expensive beverage for the majority of Indonesian consumers. After declining following the economic crisis of 1997, total domestic consumption started to rebound to 1,335 tbags in 2000/01, increased to an estimated 1,385 tbags in 2001/02, and based on expectations for improving economic conditions, is forecast to reach 1,435 tbags in 2002/03.

Large supplies on the world market combined with a stronger local currency (Rp. 9,288/\$US in April 2002 compared to Rp.10,200/\$US in January/February 2002) combined to force local prices down during the beginning of 2002. Arabica prices in Medan, North Sumatra fell from Rp. 16,000/kilogram at the start of 2002 to Rp. 14,500/kilogram in April. Similarly, Robusta prices in Lampung dropped from Rp. 3,500/kilogram to Rp. 3,200/kilogram. Meanwhile, export prices fell to US\$ 1.95/kilogram (FOB-Medan) from US\$ 2/kilogram. In April, 2002, Robusta was quoted at around US\$ 0.5/kilogram.

Stocks

At the opening of 2002/03, pipeline stocks are reported to be somewhat low as exporters/traders sold their coffee beans to fulfill contracts and to avoid further loss should prices fall further. Also, a late harvest season caused by heavy precipitation in some areas, combined with the low prices, have resulted in disruptions in marketing and slower movement into the market. The limited stock situation and delays in shipments to markets has reportedly led to merchants and exporters to rush to villages and competing to obtain beans in the major producing areas.

Trade

Coffee is one of Indonesia's major export commodities, generally contributing around 11 percent of total annual agricultural product revenue. However, with falling prices, the percentage contributed to overall export earnings is declining as shown by the January-August, 2001, revenue generated by coffee exports, which was US\$ 123.0 million or 7 percent of total agricultural product export revenue. To facilitate exports and assist in price discovery and marketing, the Jakarta Commodity Future Trading (BBJ-Bursa Berjangka Jakarta) was created. But the market has not been very successful. Furthermore, due to declining margins, many exporters have reportedly went out of business, leaving only a handful of major players.

Currency and price fluctuations, increased competition from other coffee producers, unstable supplies due to farmers holding stocks, and deteriorating quality are all problems that plague the export sector. Furthermore, the implementation of resolution No. 407 of the International Coffee Organization (ICO) regarding quality enhancement could pose a serious problem for exports. Given all these problems, plus expectations for lower domestic supplies, green coffee bean exports are forecast to decline to 4,500 tbags in 2002/03.

While still relatively small, coffee imports are increasing, but import levels ultimately depend on currency and price movements. Imports are forecast to reach 205,000 bags, fulfilling the demand from processors for blending and making up for production shortfalls. Major sources of imports during CY01 were Vietnam (55%) and East Timor which supplied 19% of total imports. The average green coffee import price during CY2001 was recorded at US\$ 595/mt (cif) while roasted coffee was imported at an average of US\$ 760/mt (cif).

Trade Policy

New Standard Quality Announced by the International Coffee Organization

During a meeting on February 1, 2002, the International Coffee Organization (ICO) completed Resolution No. 407 concerning a coffee quality improvement program, which is to be implemented beginning October 1, 2002. The program is aimed at promoting better prices, and it will be re-evaluated in September 2003 to determine if the program has been successful in improving quality and increasing world market prices. The resolution requires that coffee beans sold on the international market must meet minimum quality standards: the Brazil/New York standard for arabica, i.e., 86 defective out of 300 grams of sample; for robusta, the minimum Indonesia/Vietnam standard (150 defects out of 300 grams of sample). The moisture content should meet the ISO 6673 standard, which allows a maximum 12.5 percent.

The Indonesian Coffee Exporters Association, AEKI, (and the Directorate General for International Trade) has been attempting to establish a joint program with the respective sector representative in Vietnam and India to discuss ways to improve coffee (robusta) prices.

After its establishment in December 2000, Jakarta's Coffee Trading Exchange has had little if any impact on assisting exports. The exchange has faced several constraints, including lack of familiarity with the procedures and standards. In 2002, the exchange intends to improve the trading scheme to make it easier and a more useful mechanism for the public and traders.

SECTION II - STATISTICAL INFORMATION AND TABLES

Table 1. Production, Supply and Demand: Coffee, Green

PSD Table						
Country:	Indonesia					
Commodity:	Coffee, Green			Unit: 1000 of 60 Kg Bags		
		2001		2002		2003
	Old	New	Old	New	Old	New
Market Year Begin		04/2000		04/2001		04/2002
Area Planted	1150	1150	1150	1100	0	1100
Area Harvested	891	891	891	880	0	880
Bearing Trees	1310	1310	1310	1250	0	1250
Non-Bearing Trees	210	210	210	180	0	180
TOTAL Tree Population	1520	1520	1520	1430	0	1430
Beginning Stocks	197	287	128	86	148	156
Arabica Production	455	455	480	480	0	480
Robusta Production	6040	6040	5800	5500	0	5300
Other Production	0	0	0	0	0	0
TOTAL Production	6495	6495	6280	5980	0	5780
Bean Imports	250	165	350	200	0	200
Roast & Ground Imports	6	10	5	5	0	5
Soluble Imports	0	0	0	0	0	0
TOTAL Imports	256	175	355	205	0	205
TOTAL SUPPLY	6948	6957	6763	6271	148	6141
Bean Exports	5300	5494	5050	4700	0	4500
Roast & Ground Exports	35	42	30	30	0	30
Soluble Exports	0	0	0	0	0	0
TOTAL Exports	5335	5536	5080	4730	0	4530
Rst,Ground Dom. Consum	1450	1300	1500	1350	0	1400
Soluble Dom. Consum.	35	35	35	35	0	35
TOTAL Dom. Consumption	1485	1335	1535	1385	0	1435
Ending Stocks	128	86	148	156	0	176
TOTAL DISTRIBUTION	6948	6957	6763	6271	0	6141

Note: "Old" column is FAS/Washington data. For FAS/Jakarta's previous PS&D see ID2002.

**Table 2-a: Coffee (Green) Export
Calendar Year (January-December) 2000 and 2001**

Export Trade Matrix				
Country:	Indonesia		Units: K 60 Kg Bags	
Commodity:	Coffee, Green			
Time period:	Jan-Dec			Jan-Dec
Exports for	2000			2001
U.S.	553		U.S.	613
Others			Others	
Japan	1,090		Japan	973
Germany	794		Germany	490
Poland	410		Poland	213
Italy	324		Italy	189
Philippines	225		Singapore	167
Singapore	206		Malaysia	148
Bulgaria	199		Bulgaria	115
South Africa	193		Belgium	104
Rep. of Korea	192		United Kingdom	99
United Kingdom	185		Rumania	90
Total for Others	3,818		Total for Others	2,588
Others not listed	1,256		Others not listed	952
Grand Total	5,627		Grand Total	4,153

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.

Table 2-b: Coffee (Green) Export
Marketing Year (April-December) 2000/01 and 2001/02

Export Trade Matrix				
Country:	Indonesia		Units: K 60 Kg Bags	
Commodity:	Coffee, Green			
Time period:	Apr-Dec			Apr-Dec
Exports for	2000			2001
U.S.	457		U.S.	510
Others			Others	
Japan	863		Japan	767
Germany	730		Germany	379
Poland	367		Poland	152
Italy	290		Italy	150
Philippines	225		Singapore	120
Rep. of Korea	190		Malaysia	116
Bulgaria	179		Bulgaria	95
United Kingdom	176		Belgium	87
Singapore	173		United Kingdom	81
South Africa	169		Rumania	70
Total for Others	3,362		Total for Others	2,017
Others not listed	1,097		Others not listed	734
Grand Total	4,916		Grand Total	3,261

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.

**Table 3-a: Coffee (Roasted) Export
Calendar Year (January-December) 2000 and 2001**

Export Trade Matrix				
Country:	Indonesia		Units: K 60 Kg Bags	
Commodity:	Roasted Coffee			
Time period:	Jan-Dec			Jan-Dec
Exports for:	2000			2001
U.S.	0		U.S.	1
Others			Others	
Japan	9		Taiwan	6
Singapore	5		Japan	5
Taiwan	5		Malaysia	5
Malaysia	5		Singapore	4
Poland	2		Poland	3
Vietnam	1		India	2
Saudi Arabia	1		Saudi Arabia	1
United Kingdom	1			
India	1			
Total for Others	30		Total for Others	26
Others not listed	2		Others not listed	5
Grand Total	32		Grand Total	32

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.

Table 3-b: Coffee (Roasted) Export
Marketing Year (April-December) 2000/01 and 2001/02

Export Trade Matrix				
Country:	Indonesia		Units: K 60 Kg Bags	
Commodity:	Roasted Coffee			
Time period:	Apr-Dec			Apr-Dec
Exports for:	2000			2001
U.S.	0		U.S.	1
Others			Others	
Japan	8		Taiwan	5
Singapore	5		Malaysia	4
Taiwan	4		Japan	3
Malaysia	4		Singapore	3
United Kingdom	1		Poland	3
Poland	1			
Vietnam	1			
India	1			
Total for Others	25		Total for Others	18
Others not listed	1		Others not listed	3
Grand Total	26		Grand Total	22

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.

**Table 4-a: Coffee (Green) Import
Calendar Year (January-December) 2000 and 2001**

Import Trade Matrix				
Country:	Indonesia		Units: K 60 Kg Bags	
Commodity:	Coffee, Green			
Time period:	Jan-Dec			Jan-Dec
Imports for	2000			2001
U.S.	1		U.S.	1
Others			Others	
Vietnam	104		Vietnam	71
Batam	30		East Timor	25
Lao People's Dem	27		Batam	14
East Timor	16		Lao People's Dem	6
Thailand	11		Coted'Ivoire	3
Peru	4		Thailand	2
China	3		Japan	1
Coted'Ivoire	3			
India	3			
Total for Others	201		Total for Others	122
Others not listed	20		Others not listed	7
Grand Total	222		Grand Total	130

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.

Table 4-b: Coffee (Green) Import
Marketing Year (April-December) 2000/01 and 2001/02

Import Trade Matrix				
Country:	Indonesia		Units: K 60 Kg Bags	
Commodity:	Coffee, Green			
Time period:	Apr-Dec			Apr-Dec
Imports for	2000			2001
U.S.	1		U.S.	1
Others			Others	
Batam	30		Vietnam	26
Vietnam	19		East Timor	21
East Timor	16		Batam	13
Lao People's Dem	16		China	1
Peru	4			
Japan	2			
Coted'Ivoire	1			
Thailand	1			
Total for Others	89		Total for Others	61
Others not listed	15		Others not listed	8
Grand Total	105		Grand Total	70

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.

**Table 5-a: Coffee (Roasted) Import
Calendar Year (January-December) 2000 and 2001**

Import Trade Matrix				
Country:	Indonesia		Units:K 60 Kg Bags	
Commodity:	Roasted Coffee			
Time period:	Jan-Dec			Jan-Dec
Imports for	2000			2001
U.S.	1		U.S.	1
Others			Others	
Batam	4		Malaysia	7
Malaysia	1		Japan	1
Singapore	1		Singapore	1
China	1			
Total for Others	7		Total for Others	9
Others not listed	1		Others not listed	0
Grand Total	8		Grand Total	10

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.

**Table 5-b: Coffee (Roasted) Import
Marketing Year (April-December) 2000/01 and 2001/02**

Import Trade Matrix				
Country:	Indonesia		Units: K 60 Kg Bags	
Commodity:	Roasted Coffee			
Time period:	Apr-Dec			Apr-Dec
Imports for:	2000			2001
U.S.	1		U.S.	0
Others			Others	
Batam	4		Malaysia	5
Singapore	1		Singapore	1
Malaysia	1			
Total for Others	6		Total for Others	6
Others not listed	0		Others not listed	1
Grand Total	7		Grand Total	7

Source: Central Statistics Agency (BPS-Badan Pusat Statistik), Jakarta, Indonesia.

The following table presents data on the development of total coffee exports during MY1995/96 through MY2000/2001 from the Central Bureau of Statistics (processed by the Association of Indonesian Coffee Exporters or AEKI- Asosiasi Eksportir Kopi Indonesia).

Table 6: Indonesian Coffee Exports
(in Metric Tons)

Months	1995/96	1996/97	1997/98	1998/99	1999/2000	2000/2001	2001/2002*)
April	8,666	20,650	25,354	14,401	25,412	18,075	20,133
May	16,010	40,151	35,723	14,752	34,940	33,180	28,757
June	23,375	36,729	45,429	36,327	32,002	41,720	37,706
July	26,619	55,187	39,141	50,975	33,652	41,902	40,241
August	28,063	42,964	34,191	49,631	33,562	42,827	40,624
September	30,098	43,490	33,263	41,791	30,610	34,901	30,689
October	29,109	44,888	28,978	33,256	27,374	29,241	
November	33,295	32,092	17,411	20,002	17,715	22,096	
December	21,909	28,048	21,766	20,342	14,517	16,309	
January	15,959	21,882	14,393	16,394	11,336	12,867	
February	12,634	17,398	15,626	17,144	14,329	16,659	
March	15,123	24,305	19,105	22,495	14,444	19,624	
TOTAL Apr-Mar	260,860	407,784	330,380	337,510	289,893	329,401	198,150
in K 60 kg bags	4,348	6,796	5,506	5,625	4,832	5,490	3,302

Source: The Ministry of Industry and Trade (MITI), based on the Certificate of Origin Forms (Surat Keterangan Asal or SKA document from the Directorate of Export, MITI). Processed by AEKI, Jakarta, February 2002.

Note: *) preliminary figures.

Table 7: Indonesia's Export and Import of Coffee
 (Calendar Year: January - December)
 In Metric Tons/US\$

Year (Jan-Dec)	Export			Import		
	Volume Metric Tons	Value US\$ (FOB)	Unit Price US\$/MT	Volume Metric Tons	Value US\$ (CIF)	Unit Price US\$/MT
1994	291,198.25	753,718,060.00	2,588.33	945.17	1,545,951.00	1,635.63
1995	231,478.42	613,978,858.00	2,652.42	515.91	1,594,870.00	3,091.37
1996	368,626.22	605,947,870.00	1,643.80	458.84	1,084,105.00	2,362.71
1997	316,230.99	529,670,514.00	1,674.95	10,332.13	14,321,189.00	1,386.08
1998	363,015.25	615,778,524.00	1,696.29	3,045.11	4,498,265.00	1,477.21
1999	358,018.25	488,759,506.00	1,365.18	3,045.07	3,778,983.00	1,241.02
2000	345,625.03	339,876,257.00	983.37	3,778.98	12,139,064.00	3,212.26
2001	254,752.83	203,524,255.00	798.91	8,933.33	7,294,347.00	816.53
Source: Trade by SITC, Central Statistics Agency (BPS-Badan Pusat Statistik), Indonesia, Processed by FAS/Jakarta.						

Exchange Rate

Exchange Rate (Rp./1US\$) on Period Month Ending Basis												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1997	2387	2403	2418	2443	2458	2450	2528	2190	3350	3700	3740	5700
1998	13513	9377	8740	8211	10767	15160	13850	11700	11314	9142	7755	8100
1999	9419	8992	8778	8632	8179	6750	6989	7736	8571	6949	7439	7161
2000	7414	7517	7598	7988	8728	8742	9055	8370	8891	9483	9524	9385
2001	9488	9914	10460	11675	11375	11440	9525	8670	9675	10435	10430	10200
2002	10253	10189	9655	9316	9288							

Source: Central Statistics Agency (BPS-Badan Pusat Statistik) and Business Indonesia Daily Newspaper.

Note: - August 2001 exchange rate is quoted for August 27, 2001.
 - December 2001 exchange rate is quoted for December 26, 2001
 - January 2002 exchange rate is quoted for January 14, 2002
 - March 2002 exchange rate is quoted for March 28, 2002
 - May 2002 exchange rate is quoted for May 6, 2002
 - BPS data available up to March 2001.

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